

# **EMPOWERING INFORMATION**

**Submission to the Office of the Regulator-  
General, Victoria, on the Electricity Industry  
Customer Charter**

**Co-operative Energy Ltd  
1995**

Co-operative Energy Ltd supports the development of an Electricity Industry Customer Charter. It is acknowledged that the Customer Charter is a new development that attempts to clearly set out the basic rights and obligations of suppliers and consumers.

While the privatisation of Victoria's electric industry has provided the impetus for the Charter, it remains relevant irrespective of the industry's ownership.

As a preliminary to providing comments on the Customer Charter, Co-operative Energy Ltd has identified the following interdependent principles that should inform the restructuring of the electric industry:

1. **Safety and reliability.** A safe and reliable electric service is basic to the electric industry and an obligation on suppliers and a right of all consumers.
2. **Consumer choice.** Consumers should have the right of choice as to the electric service they receive from what suppliers provided they understand the costs and consequences of these options.
3. **Demand side management.** Demand side management is basic to reducing power costs for consumers and reducing environmental impacts.
4. **Fuel diversity.** Fuel diversity offers consumers' choices and spreads risk and renewable energy, in particular, reduces environmental impacts.
5. **Universal service.** Electricity is an essential service and must be available to all consumers.
6. **Benefits to all.** All consumers should share the benefits of a restructured electric industry. Industrial and commercial consumers should not capture a disproportionate share of benefits to the disadvantage of small consumers.
7. **Unbundling.** Competition requires many competitors and suppliers should not be permitted to reinvent vertical integration in order to achieve market dominance.
8. **Guaranteed Standards.** There must be guaranteed minimum service standards that are subject to continuous improvement on power quality, meter accuracy, customer service, outage restoration, reliability and safety for all consumers.
9. **Plurality of providers.** Legislation and regulation should neither favour nor discriminate for nor against any particular form of ownership.
10. **Accessible market.** Providers should have equal and open access to the market. Anticompetitive behaviour such as pricing below cost, price fixing and discriminatory pricing should be identified and corrected.
11. **Environmental protection.** There must be a commitment to eliminating and minimising pollution through pollution control, monitoring and avoidance.

## **Safety-Net Provisions**

Co-operative Energy Ltd believes that appropriate safety-net provisions are critical for low income consumers. It is recognised that current responsibility for the safety net is with Health & Community Services. What is of concern, however, is whether the existing safety-net is adequate and appropriate. It is understood that the Office of the Regulator General is reviewing payment systems and that Health & Community Services is considering an independent review of the Energy Relief Grants program.

An adequate and appropriate safety-net is integral to the application of the Sale & Supply Code and the Charter. Given this, consideration needs to be given to the impact of the Code and Charter when the safety-net is not adequate and appropriate.

## **Market Power**

For captive franchised electric consumers there is a problem of the market power of the distribution companies. This is a challenge for the Office of the Regulator-General.

It is recognised, of course, that there is a difference between aggressive competition and anti-competitive behaviour. A distribution company may, for example, be able to entrench its position to prevent or deter other competitors i.e., behaviour that is inconsistent with the competitive process. Distribution companies could undertake anti-competitive behaviour with their captive franchised consumers. This could include price squeezes which are aimed at eliminating competitors and leading to monopoly pricing.

Monopoly distribution companies have a competitive advantage of marketing, billing and consumption access with their electric consumers. It is in the interests of consumers that competitive suppliers have the same marketing, billing and consumption access and this is a crucial issue for the Office of the Regulator General in the development of the Distribution Code.

## **Accessible Appropriate Affordable**

Information is central to co-operative philosophy and principles and, therefore, the development of a Customer Charter is consistent with this need. The underlying basis for consumer empowerment is information - information that is accessible, appropriate and affordable. Given the advent of competition, information is basic to all consumers having the opportunity to share in the benefits of a restructured electric industry.

Co-operative Energy Ltd is concerned with certain aspects of the proposed Customer Charter and these are summarised below.

### **Responsibility to Give Information**

In Section 3 (p 2) the outlined responsibility of suppliers is limited and gives insufficient attention to consumer choice in an increasingly competitive industry. The phrase "your rights and responsibilities" is a general affirmation but meaningless without specification.

It is recommended, therefore, that suppliers should also have an obligation to provide consumers with information on options concerning power quality and reliability, energy efficiency and renewable energy. There is also an obligation to advise on continued supply of electricity for life support.

## **Right to Supply**

In Section 4 (p2) there is a stated right of supply for consumers but no stated obligation to supply captive franchised consumers by distribution companies. With increased competition, in the future rural consumers may be subject to price discrimination practices. Their right to supply may be subject to their capacity to pay. This will be an issue for the Office of the Regulator General after 2000..

It is accepted that electricity should not be provided if "it is not safe", but this does not discharge the responsibility of suppliers concerning consumers right to supply. It may not, for example, be safe to supply electricity to a residence because of the inadequate capital replacement and maintenance program of the supplier. Tenants may also be in an invidious position if their power supply is threatened because of the failure of the landlord to ensure that it is safe to supply electricity. In this situation, the supplier has an obligation to educate tenants and landlords about safety requirements. If the power supply for tenants are cut because of the landlord's failure, the supplier should provide the landlord and the tenant with formal written notification of the reason for cutting off supply.

## **Quality of Supply and Interruptions**

In Section 7 (p 4) it is proposed that a definition of excessive interruptions is being developed. While the notion of "excessive" is self-validating, there may be significant differences on what constitutes "excessive"- depending on the definition. It is of concern that the definition may be elastic to allow for the particular difficulties of remote rural consumers and the upgrade needs of their supply systems.

In the absence of a provided and agreed definition, it is not realistic to comment on interruptions. There is also a need to determine what is the desired quality of supply considering power factor, harmonics, frequency, fluctuations and surges. Furthermore, there are critical issues about how suppliers maintain supply and the location of maintenance crews.

What is more significant, however, is the issue of power quality. In a competitive industry power quality will increasingly become a choice issue for consumers with quality options. Consumers should have the option of specifying different levels of power quality but this should be based on individual preference and not system capability and individual capacity to pay. Individual consumers should have real choices about what kind of electric service they require and the risks they are willing to undertake within agreed minimum standards.

## **Wise Use of Electricity**

In Section 8 (pp.-5) the comments in the Customer Charter on energy efficiency are limited. While reference to the Energy Information Centre is important, there is an onus on suppliers to encourage energy efficiency.

Energy efficiency options are crucial to the empowerment of consumers - the knowledge of energy efficiency choices, how this impacts on energy usage and the payback period.

As stated in the Customer Charter, energy efficiency "means less pollution and reduced greenhouse gas emissions" and can save consumer's money - unless suppliers are intent on persuading consumers to consume more electricity, albeit, efficiently.

Energy efficiency measures and appliances could become problematic, however, when the supplier is also marketing appliances to consumers. It is not inevitable that suppliers will promote the most energy efficient appliances. It is also possible that energy efficiency programs will be targeted on consumers with elastic incomes.

### **Payment Options**

In Section 11 e (p 8) the Customer Charter provides for other payment options for domestic consumers. What is not clear, however, is whether the same quarterly and monthly billing process will apply to these consumers.

It is also not clear what billing processes are followed if consumers fall behind in their EasyWay payments.

### **Registering Special Health Needs**

In Section 17 (p 16) the recognition of continuous supply for life support is important. There is a need, however, for suppliers to advise consumers and hospitals of this provision. See comments on Section 3 (p2).

It is unclear, however, what would be considered "other serious health need" although suppliers will have the discretion to "decide whether to make special arrangements to ensure your supply is not interrupted." This could mean that people with the same health need may or may not be registered by their respective suppliers - depending on the policy guidelines and discretion of the supplier.

### **Appointments**

In Section 19 (p16) there is provision that suppliers undertake to be on time for appointments with a penalty if the supplier is more than 15 minutes late.

This provision should be supported, however, by the requirement that the agreed appointment is recorded and that a confirmation card is posted to the consumer the day the appointment is made - specifying the agreed time and date.